

Message Text

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R 031707Z JAN 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5557

UNCLAS SECTION 01 OF 05 PARIS 00144

E.O. 11652:N/A

TAGS: EGEN, FR

SUBJECT: SPEECH OF AMBASSADOR RUSH FOR AMERICAN SOCIETY
OF INTERNATIONAL LAW PROGRAM ON MULTINATIONAL CORPORA-
TIONS

REF: STATE 281122; PARIS 31071

1. THE TERM MULTINATIONAL CORPORATION IS A RELATIVELY
RECENT ONE. THE BASIC QUESTION ANY DISCUSSION OF THE
"ANIMAL" INVOLVES, HOWEVER, IS NEARLY AS OLD AS THE
DEVELOPMENT OF ORGANIZED HUMAN SOCIETIES. ENTREPRENEURS
HAVE LONG MADE CAPITAL INVESTMENTS IN LANDS OTHER THAN
THEIR OWN. ONE HAS ONLY TO RECALL THE PHOENICIAN TRADING
STATIONS IN EGYPT OR THE ACTIVITIES OF JACQUES COEUR, A
FRENCHMAN OF THE 15TH CENTURY WHO OWNED FACTORIES AND
MINES ABROAD AS WELL AS AT HOME. "DIRECT INVESTMENT"
CAN BE A SUBJECT OF HISTORICAL RESEARCH, OR, IN A MODERN
CONTEXT, OF A REASONABLY DISPASSIONATE DISCUSSION. NOT
SO EASILY WITH "THE MULTINATIONAL CORPORATION." THIS
TERM HAS BECOME CHARGED WITH EMOTION. FOR SOME, IT IS
AUTOMATICALLY AN EVIL - AND THE ECONOMIC REALITIES IT
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REPRESENTS - JOBS, TECHNOLOGY, EXPORTS - DO NOT EXIST.

FOR OTHERS, IT IS A VEHICLE FOR UNITING THE DIVERSE NATION-STATES INTO A TRUE WORLD ECONOMY. THIS VIEW IS, IN MY OPINION, EQUALLY UNREALISTIC - EVEN THOUGH THE MULTINATIONAL CORPORATION MAY BE A STEP IN THIS DIRECTION.

2. IT IS THE FIRST OF THESE VIEWS OF THE MULTINATIONAL CORPORATION WHICH SEEMS TO DOMINATE IN A NUMBER OF STUDIES BEING UNDERTAKEN TODAY IN THE UNITED NATIONS AND ITS AGENCIES AND, THOUGH TO A MUCH LESSER EXTENT, IN THE DISCUSSIONS ON INVESTMENT AND THE MULTINATIONAL CORPORATION WITHIN THE OECD. THE ESSENTIAL PURPOSE OF MY ADDRESS TO YOU THIS EVENING IS TO REVIEW THE POSITIONS OF THE UNITED STATES ON THE WORK IN PROGRESS IN THESE VARIOUS INTERNATIONAL ORGANIZATIONS.

3. BEFORE THAT, HOWEVER, IT SEEMS ESPECIALLY APPROPRIATE AT THIS TIME TO SAY A FEW WORDS ON THE BASIC UNITED STATES VIEW OF TRANS-NATIONAL INVESTMENT - AND ITS NATURAL PRODUCT, THE MULTINATIONAL ENTERPRISE. OUR ATTITUDES TOWARDS THESE ARE DETERMINED BY OUR BASIC VIEWS ON THE WORLD ECONOMIC SYSTEM - THE UNITED STATES CONTINUES TO FAVOR A MAXIMUM FREEDOM OF MOVEMENT FOR BOTH GOODS AND INVESTMENT CAPITAL. WE BELIEVE THAT THE ELIMINATION OF THE BARRIERS TO INTERNATIONAL TRADE HAS MEANT, AND CONTINUES TO MEAN, THE GREATEST EFFICIENCY IN PRODUCTION AND THE GREATEST AVAILABILITY OF GOODS AT THE LOWEST PRICES TO ALL CONSUMERS. WE BELIEVE, EQUALLY STRONGLY, THAT THE GREATEST POSSIBLE FREEDOM FOR THE INTERNATIONAL FLOW OF CAPITAL WILL PROVIDE FOR ITS MOST EFFICIENT USE, MAKING IT POSSIBLE TO HARNESS PRODUCTIVE CAPACITIES WHEREVER THEY EXIST. WE BELIEVE THAT THE PRIVATE INVESTOR IS IN THE BEST POSITION TO RECOGNIZE OPPORTUNITIES FOR ECONOMIC DEVELOPMENT AND PROVIDE THE MEANS FOR TURNING THEM INTO REALITY. THIS IS AS VALID FOR OPPORTUNITIES IN OUR OWN COUNTRY, AS PERCEIVED BY FOREIGN INVESTORS, AS FOR INVESTMENTS MADE ELSEWHERE BY AMERICANS.

4. THE MULTINATIONAL CORPORATION - WHICH, FOLLOWING UNCLASSIFIED

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PROFESSOR RAYMOND VERNON, I DEFINE AS A COMPANY THAT CARRIES OUT ITS ACTIVITIES ON AN INTERNATIONAL SCALE ON THE BASIS OF A COMMON STRATEGY DIRECTED FROM A CORPORATE CENTER - IS ONE FORM, AND UNQUESTIONABLY THE MOST SUCCESSFUL, WHICH INTERNATIONAL DIRECT INVESTMENT HAS TAKEN. THE UNITED STATES, CONSISTENT WITH ITS ADVOCACY OF THE ELIMINATION OF BARRIERS TO THE FLOW OF INTERNATIONAL TRADE AND INVESTMENT, CONSIDERS THE MULTINATIONAL CORPO-

RATION AN IMPORTANT VEHICLE FOR MAXIMIZING ECONOMIC EFFICIENCY, ACCELERATING GROWTH, AND RAISING LIVING STANDARDS THROUGHOUT THE WORLD.

5. WHEN I SPEAK OF U.S. ADVOCACY OF FREEDOM OF CAPITAL MOVEMENT, I WANT TO STRESS THAT WE MEAN NOT ONLY CAPITAL MOVEMENT OUT OF THE UNITED STATES, BUT CAPITAL MOVEMENT

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INTO THE UNITED STATES AS WELL. IN OTHER WORDS, IN PROCLAIMING THE VIRTUES OF INTERNATIONAL INVESTMENT, THE U.S. PRACTICES WHAT IT PREACHES.

6. EVER SINCE THE LATTER PART OF THE 18TH CENTURY, WHEN ALEXANDER HAMILTON ADDRESSED HIMSELF TO THE QUESTION IN 1791, THE POLICY OF THE UNITED STATES GOVERNMENT HAS BEEN ONE OF WELCOME TO FOREIGN INVESTMENT. BASIC U.S. POLICY IS TO ADMIT AND TREAT FOREIGN CAPITAL ON A BASIS OF EQUALITY WITH DOMESTIC CAPITAL. WHETHER THE INVESTOR OPERATES THROUGH A U.S. CORPORATION, OR AS A BRANCH OF

THE HOME COMPANY IN THE UNITED STATES, THE TREATMENT IS ACCORDED BY OUR FIFTY STATES, AND THE CONDITIONS UNDER WHICH IT OPERATES, ARE SUBSTANTIALLY THE SAME AS THOSE APPLYING TO DOMESTIC COMPANIES. FOREIGN INVESTORS IN THE UNITED STATES ARE FREE TO USE THEIR CAPITAL IN ALMOST ANY WAY THEY WISH. NEITHER ARE THERE ANY U.S. RESTRICTIONS ON THE REMITTANCE OF PROFITS, DIVIDENDS, INTEREST, ROYALTIES OR FEES - NOR ON THE REPATRIATION OF THE BASIC CAPITAL ITSELF.

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7. IN THE LAST FEW WEEKS, SEVERAL FRENCH COMMENTATORS HAVE CAST DOUBT ON THE CONTINUED VALIDITY OF THE U.S. COMMITMENT TO THESE POLICIES. IS THE UNITED STATES ABOUT TO RESTRICT FOREIGN INVESTMENT - ARE WE INDEED ALREADY DOING SO? THE ANSWER, AS FAR AS THE ADMINISTRATION OF PRESIDENT FORD IS CONCERNED, IS A RESOUNDING NO.

8. THAT SUCH QUESTIONS COULD BE ASKED, I BELIEVE, REFLECTS CONFUSION ABOUT A NEW LEGISLATIVE INITIATIVE IN THE UNITED STATES. ON OCTOBER 28, 1974, THE PRESIDENT SIGNED INTO LAW "THE FOREIGN INVESTMENT STUDY ACT OF 1974." THE PURPOSE OF THIS ACT IS TO PERMIT THE FEDERAL GOVERNMENT TO GATHER BASIC INFORMATION ON FOREIGN DIRECT AND PORTFOLIO INVESTMENT IN THE UNITED STATES. GIVEN OUR OPEN-DOOR POLICIES, AND GIVEN THE FACT THAT THE INCORPORATION PROCESS IN THE UNITED STATES IS AN AFFAIR OF THE INDIVIDUAL STATES, THE FEDERAL GOVERNMENT HAS NOT HAD SUCH INFORMATION. BUT, THE PURPOSE OF THE LAW GOES NO FURTHER THAN THIS. THE CONCLUDING REMARKS THE PRESIDENT MADE IN SIGNING THIS LAW ARE WORTH REPEATING HERE:

"AS I SIGN THIS ACT, I REAFFIRM THAT IT IS INTENDED TO GATHER INFORMATION ONLY. IT IS NOT IN ANY SENSE A SIGN OF CHANGE IN AMERICA'S TRADITIONAL OPEN-DOOR POLICY TOWARDS FOREIGN INVESTMENT. WE CONTINUE TO BELIEVE THAT THE OPERATION OF FREE MARKET FORCES WILL DIRECT WORLDWIDE INVESTMENT FLOWS IN THE MOST PRODUCTIVE WAY. THEREFORE MY ADMINISTRATION WILL OPPOSE ANY NEW RESTRICTION ON FOREIGN INVESTMENT IN THE UNITED STATES EXCEPT WHERE ABSOLUTELY NECESSARY ON NATIONAL SECURITY GROUNDS OR TO PROTECT AN ESSENTIAL NATIONAL INTEREST."

WITHOUT ENTERING INTO DETAIL, SUCH RESERVED AREAS INCLUDE COASTAL AND FRESH WATER SHIPPING, DOMESTIC RADIO AND AIR TRANSPORT, THE UTILIZATION OR PRODUCTION OF ATOMIC ENERGY OR MINING OPERATIONS ON FEDERAL LANDS.

9. THIS IS THE UNITED STATES POLICY ON INVESTMENT. OUR
POLICY ON THE MULTINATIONAL CORPORATION AS SUCH DERIVES
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FROM IT. THE MULTINATIONAL CORPORATION IS THE INEVITABLE
RESULT OF FREE ENTERPRISE'S SEARCH FOR THE MOST
PRODUCTIVE USES OF CAPITAL. EARLY THIS YEAR, JEAN
CHARBONNEL, WHO WAS THEN FRANCE'S MINISTER FOR
INDUSTRIAL DEVELOPMENT, NOTED TO THE AMERICAN CHAMBER
OF COMMERCE IN FRANCE THAT "EVERY GROWING CORPORATION
WILL SEE THE NECESSITY, SOONER OR LATER, TO INVEST OUT-
SIDE ITS COUNTRY OF ORIGIN." THIS SEEMS THE MOST
SENSIBLE VIEW TO TAKE.

10. THIS DOES NOT MEAN THAT THE MULTINATIONAL CORPORA-
TION MAY NOT CAUSE PROBLEMS. UNTIL ABOUT A YEAR AGO OUR
OWN LEGISLATION REFLECTED A CONCERN FOR THE EFFECTS OF
AMERICAN INVESTMENT OVERSEAS ON OUR BALANCE OF PAYMENTS.
OTHER COUNTRIES ARE CONCERNED WITH THE EFFECTS OF INTER-
CORPORATE FINANCING AND ACCOUNTING PRACTICES ON INTER-
NATIONSL MONETARY EQUILIBRIUM. OTHERS ARE CONCERNED
ABOUT THE WILLINGNESS OF FOREIGN-CONTROLLED CORPORATIONS
TO TAKE INTO ACCOUNT THE ECONOMIC AND SOCIAL SITUATIONS
OF THEIR HOST COUNTRY -- WILL A DECISION TAKEN IN A NEW
YORK BOARD ROOM THROW THOUSANDS OUT OF WORK IN EUROPE?
NEWER COUNTRIES ARE CONCERNED WITH THE WILLINGNESS OF

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CORPORATIONS TO FIT THEIR ACTIVITIES INTO NATIONAL DEVELOPMENT PLANS. THE MULTINATIONAL CORPORATIONS THEMSELVES, AND THEIR COUNTRIES OF ORIGIN, ARE ANXIOUS TO ESTABLISH CLEARLY DEFINED CONDITIONS IN WHICH THEY CAN OPERATE - TO KNOW WHAT THEY CAN EXPECT FROM HOST GOVERNMENTS. THE CORPORATION WANTS TO KNOW WHAT IS EXPECTED OF IT AS A "GOOD CITIZEN" OF THE HOST COUNTRY, AND WHETHER, IF IT MEETS THESE CONDITIONS, IT WILL BE CONSIDERED BY THE HOST COUNTRY ON AN EQUAL BASIS WITH FIRMS CONTROLLED BY DOMESTIC CAPITAL.

11. WE UNDERSTAND THESE CONCERNS. SOME WE SHARE, OTHERS, WE FEEL, TEND TO BE EXAGGERATED. BUT, THEY EXIST. THE UNITED STATES BELIEVES THAT A CLEAR UNDERSTANDING OF THE ISSUES POSED BY THE MULTINATIONAL CORPORATION IS THE BEST WAY TO ACHIEVE THE CONDITIONS WHEREBY ITS OPERATIONS CAN ACHIEVE THE GREATEST ADVANTAGE TO ALL CONCERNED. IT IS FOR THIS REASON, WE HAVE WELCOMED AND ACTIVELY PARTICIPATED IN INTERNATIONAL DISCUSSIONS ON THE SUBJECT IN A NUMBER OF FORUMS. THESE INCLUDE THE EXECUTIVE UNCLASSIFIED

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COMMITTEE IN SPECIAL SESSION OF THE OECD, THE WORK ON "THE IMPACT OF MULTINATIONAL CORPORATIONS ON THE DEVELOPMENT PROCESS AND ON INTERNATIONAL RELATIONS" PREPARED FOR THE UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL, AND THE WORK OF THE UN GENERAL ASSEMBLY IN DEVELOPING WHAT CAME TO BE CALLED THE "CHARTER OF ECONOMIC RIGHTS AND DUTIES OF STATES."

12. OUR HOPES AND EXPECTATIONS FOR EACH OF THESE EFFORTS WERE DIFFERENT. THE OECD IS AN ORGANIZATION OF INDUSTRIALIZED STATES, MANY OF WHOM ARE HOME COUNTRIES, AS WELL AS HOST COUNTRIES TO FOREIGN INVESTMENT. BECAUSE OF THIS COMPOSITION, THE UNITED STATES HAS VIGOROUSLY ADVOCATED EFFORTS HERE TO WORK TOWARDS CREATING AN OPTIMAL SITUATION FOR INTERNATIONAL INVESTMENT. WE BELIEVE THAT THE ESTABLISHMENT OF GUIDELINES ON KEY

QUESTIONS SUCH AS NATIONAL TREATMENT OF FOREIGN-OWNED ENTERPRISES, THE RIGHTS OF ESTABLISHMENT, AND INCENTIVES AND DISINCENTIVES TO INVESTMENT CAN SERVE THIS IMPORTANT PURPOSE. WHILE, OF COURSE, WE RECOGNIZE THAT NATIONS WILL WANT TO MAKE EXCEPTIONS TO GENERAL RULES, WE BELIEVE SUCH EXCEPTIONS SHOULD BE JUSTIFIED AND NOT ARBITRARY. INVESTORS SHOULD KNOW THE RULES OF THE GAME. BEYOND THESE EXCEPTIONS, WE SEEK AGREEMENT IN THE OECD THAT THE FLOW OF INVESTMENT CAPITAL SHOULD BE FREE, AND THE FOREIGN-OWNED ENTERPRISE ESTABLISHED IN A FOREIGN COUNTRY SHOULD HAVE THE SAME RIGHTS, AND RESPONSIBILITIES AS DOMESTICALLY-OWNED CORPORATIONS.

13. WE ARE CONCERNED TOO ABOUT INCENTIVES AND DISINCENTIVES TO INVESTMENT. WE REALIZE THE IMPORTANCE OF SUCH TECHNIQUES - PREMIUMS, TAX REBATES, CREDIT FACILITIES, FACILITIES IN OBTAINING LAND - AS PART OF A POLICY OF REGIONAL DEVELOPMENT. THAT AN INVESTMENT IS FAVORED IN ONE PART OF A COUNTRY RATHER THAN ANOTHER IS NOT IN QUESTION. BUT WE BELIEVE SUCH INCENTIVES SHOULD NOT CREATE INVESTMENTS WHEN THEY MIGHT OTHERWISE BE ECONOMICALLY UNJUSTIFIED, NOR DIVERT THEM FROM OTHER COUNTRIES, NOR DISTORT TRADE PATTERNS. EXPORT-ORIENTATION, FOR EXAMPLE, SHOULD CERTAINLY NOT BE A PRECONDITION TO THE GRANTING OF ANY INVESTMENT INCENTIVES.

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TIVES.

14. AT THE SAME TIME THE OECD IS ALSO STUDYING THE MULTINATIONAL CORPORATION AS SUCH AND THE PROBLEMS IT CAN POSE. WE SUPPORT THIS EFFORT AS WELL, ESPECIALLY SINCE THIS STUDY IS BEING DONE AT THE SAME TIME AS WORK ON INVESTMENT GUIDELINES, SO THAT THE WORK AS A WHOLE WILL BE ILLUMINATED BY A CONSCIOUSNESS OF THE POSITIVE ASPECTS OF INVESTMENT. WE DO NOT BELIEVE, HOWEVER, THAT A STRICT PARALLELISM BETWEEN THE TWO EFFORTS NEED BE ESTABLISHED. THE NEGOTIATIONS WITHIN THE OECD ARE LONG AND COMPLEX DESPITE THE FACT THAT THIS IS ESSENTIALLY A DISCUSSION AMONG INDUSTRIALIZED COUNTRIES. POINTS OF VIEW STILL DIFFER. PROGRESS IS SLOW, BUT IT IS BEING MADE ON THE RIGHT TRACK.

15. AGREEMENT ON A LARGER SCALE, IT SEEMS CLEAR, MUST BE YET MORE DIFFICULT TO OBTAIN. IT IS EVIDENT THAT THE LARGER THE NUMBER OF COUNTRIES INVOLVED, THE MORE LIKELY THERE WILL BE DIVERGENCE OF INTERESTS. DEVELOPING COUNTRIES TEND TO BE MORE CONCERNED THAN INDUSTRIAL COUNTRIES ABOUT WHAT THEY CONSIDER TO BE THE "PENETRATION" OF THEIR ECONOMIES BY PRIVATE FOREIGN INTERESTS,

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AND THEY OFTEN SEE THE LARGE MULTINATIONAL ENTERPRISE AS A CHALLENGE TO THEIR NATIONAL SOVEREIGNTY. WHILE THEY ARE QUICK TO PLACE MANY FORMS OF RESTRICTIONS ON FOREIGN COMPANIES, THEY ARE LESS WILLING TO ASSUME OBLIGATIONS OF THEIR OWN, RELATIVE TO INVESTORS, THEIR SECURITY AND THEIR ABILITY TO DO BUSINESS. THEY ARE IN GENERAL EVEN LESS WILLING TO CODIFY THEIR OWN RESPONSIBILITIES TO THE INVESTOR IN ANY INTERNATIONAL AGREEMENT - EVEN ONE THAT IS PURELY VOLUNTARY.

16. THESE VIEWPOINTS - OF NEW NATIONS JEALOUS OF THEIR OFTEN HARD-WON NATIONAL INDEPENDENCE - ARE UNDERSTANDABLE. MY PURPOSE IS NOT TO CRITICIZE THEM, BUT TO ILLUSTRATE TWO POINTS. THE FIRST IS SIMPLY HOW DIFFICULT IT WILL BE TO REACH ANY OPERATIVE AGREEMENTS ON A WORLDWIDE SCALE. THE SECOND RETURNS US TO MY OPENING REMARKS, FOR GIVEN THESE VIEWS, IT IS CLEAR THAT THE MOST LIKELY FOCUS OF ANY INTERNATIONAL STUDY WILL NOT BE THE BENEFITS AND PROBLEMS OF INTER-

NATIONAL INVESTMENT, BUT "THE MULTINATIONAL CORPORATION"
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AS AN OBJECT OF NATIONAL CONCERN AND CONTROL. OUR
OBJECT IN THESE GLOBAL SCALE EXERCISES HAS BEEN TO FIND
CONSTRUCTIVE WAYS TO MEET THESE CONCERNS. WE WOULD LIKE
TO HARMONIZE STATE ACTIONS TO INSURE THAT THE MAXIMUM
BENEFITS OF FOREIGN INVESTMENTS ACCRUE TO ALL INVOLVED.
WHETHER OR NOT TO PROMOTE A CLIMATE OPEN TO FOREIGN
PRIVATE INVESTMENT IS, OF COURSE, A CHOICE THAT
SOVEREIGN NATIONS MUST MAKE. BUT, WE ARE CONCERNED LEST
STATES, COMING TOGETHER TO DISCUSS THIS SUBJECT IN AN
EMOTIONAL ATMOSPHERE, GET CAUGHT UP IN A SNOWBALLING
PROCESS WHICH COULD TAKE THEM MUCH FURTHER THAN THEY
REALLY WANT TO GO DOWN THE PATH OF REJECTING THE BENE-
FITS OF TRANSNATIONAL INVESTMENT. OUR EFFORTS ARE
DIRECTED AT PREVENTING THIS TREND FROM GOING TOO FAR.

17. THIS OBSERVATION APPLIES, FOR EXAMPLE, TO A REPORT
ON WHAT WAS CALLED "THE IMPACT OF MULTINATIONAL CORPORA-
TIONS ON THE DEVELOPMENT PROCESS AND ON INTERNATIONAL
RELATIONS" PREPARED FOR THE UNITED NATIONS ECONOMIC AND
SOCIAL COUNCIL BY A GROUP OF EMINENT PERSONS FROM MANY
MEMBER STATES. WE SUPPORTED THIS EFFORT, AS WE BELIEVE
IT IS IMPORTANT TO OBTAIN A BETTER UNDERSTANDING OF THE
IMPACT THAT MULTINATIONAL CORPORATIONS - THAT IS,
INTERNATIONAL INVESTMENT - HAS ON THE WORLD TODAY. BUT,
WE ARE DISAPPOINTED IN THE OUTCOME. WE FOUND THE REPORT
TOOK A NEGATIVE TONE, EMPHASIZING RESTRICTIONS ON
CORPORATIONS. WE BELIEVE MORE EMPHASIS SHOULD BE GIVEN
TO CONSTRUCTIVE MEASURES FOR ENSURING THAT CAPITAL AND
TECHNOLOGY ARE AS FREE AS POSSIBLE TO FLOW INTERNATION-
ALLY SO THEY CAN FIND THEIR MOST PRODUCTIVE USES.

18. WE FOUND ALSO THAT THE REPORT EXHIBITS A STRONG BIAS
IN FAVOR OF GOVERNMENTAL AS OPPOSED TO PRIVATE DECISION
MAKING. MOREOVER, IT MISTAKES THE NATURE OF MNC'S AND
REGARDS THEM PRIMARILY AS ENGINES OF DEVELOPMENT. WE
BELIEVE THAT IT IS IMPORTANT THAT NEW NATIONS RECOGNIZE
THAT WHILE MNC'S DO CONTRIBUTE SIGNIFICANTLY TO THE
DEVELOPMENT PROCESS, THEY ARE NOT ESTABLISHED PRIMARILY
TO MEET THE DEVELOPMENT GOALS OF HOST NATIONS. FROM
THE PRIVATE INVESTOR'S POINT OF VIEW, FOREIGN INVESTMENT
MUST YIELD A REASONABLE RATE OF RETURN OVER TIME OR IT
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WILL BE PHASED OUT. WHILE EARNING A REASONABLE PROFIT AND CONTRIBUTING TO THE DEVELOPMENT GOALS OF NATIONS ARE NOT INCOMPATIBLE, WE FEAR THAT IMPLEMENTATION OF SOME OF THE RECOMMENDATIONS IN THE REPORT WOULD SO RESTRICT THE OPERATIONS OF MNC'S OR CREATE SUCH UNCERTAINTIES THAT THE RESULT WOULD BE LESS NEW FOREIGN INVESTMENT. THIS, OF COURSE, WOULD LEAD TO A LOSS OF THE CONSIDERABLE BENEFITS MNC'S BRING TO THE DEVELOPMENT PROCESS.

19. THESE ARE OUR BASIC POSITIONS ON THE REPORT. THERE ARE ALSO DIFFERENCES OF VIEW RELATING TO MORE SPECIFIC PROPOSALS. THE RECOMMENDATIONS OF THE REPORT ARE NOW BEING STUDIED BY THE NATIONS PARTICIPATING IN ECOSOC. WE HOPE TO INFLUENCE WHATEVER FINAL DECISIONS ARE VOTED IN THE DIRECTION OF A MORE POSITIVE APPROACH TOWARDS TRANSNATIONAL INVESTMENT. I CANNOT PREDICT SUCCESS, HOWEVER, FOR THE TREND IN THE UNITED NATIONS SEEMS TO BE IN THE OPPOSITE DIRECTION.

20. INCREASINGLY SHRILL RHETORIC IN THAT BODY IS CAUSING THE CLIMATE FOR PRIVATE INVESTMENT IN DEVELOPING

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COUNTRIES TO DETERIORATE RAPIDLY. THE MASSIVE MAJORITIES IN NEW YORK FOR THE SO-CALLED NEW INTERNATIONAL ECONOMIC ORDER AND THE MORE RECENT ADOPTION BY THE GENERAL ASSEMBLY OF THE "CHARTER OF ECONOMIC RIGHTS AND DUTIES OF STATES" REPRESENT EFFORTS TO WRITE NEW INTERNATIONAL LAW. MANY GOVERNMENTS IN POOR COUNTRIES HAVE MISGIVINGS ABOUT THIS. THEY WANT MORE INVESTMENT AND THEY KNOW THE ONLY PLACE THEY CAN GET THE CAPITAL AND TECHNOLOGY THEY NEED IS FROM THE LARGE PRIVATE COMPANIES WHICH THEY ARE SO FOND OF ATTACKING IN PUBLIC. THEY FEEL THEY HAVE TO VOTE FOR MORE EXTREME POSITION AT THE U.N. SO THEY CAN ENJOY THE NEW FEELING OF POWER WHICH COMES FROM THEIR AUTOMATIC MAJORITY. AMBASSADOR SCALI A FEW WEEKS AGO MADE SOME ELOQUENT OBSERVATIONS ON THESE NEW VOTING HABITS. EVEN IF GOVERNMENTS ARE PREPARED TO BE FAIR IN THEIR DEALINGS WITH THE COMPANIES, WE CAN'T BLAME THE LATTER FOR INCREASING SUSPICION AND SKEPTICISM ABOUT THE VALIDITY OF AGREEMENTS THEY ARE ASKED TO MAKE. EVEN IF EQUITY INVESTMENT IS NOT AT ISSUE, THE COSTS AND RISKS INVOLVED IN
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DEVELOPMENT ARE LARGE. THE NEW ECONOMIC CHARTER SUPPOSEDLY CONFERS THE RIGHT OF UNILATERAL AND ARBITRARY ACTION AGAINST FOREIGN INVESTORS BUT IS SHORT ON THE DUTY TO OBSERVE AGREEMENTS. WE DO NOT BELIEVE THAT DEVELOPMENT EFFORTS CAN BE FULLY SUCCESSFUL IF THE ENORMOUS POTENTIAL CONTRIBUTION OF PRIVATE CAPITAL IS REJECTED FROM THE OUTSET. YET, THE CHARTER CREATES CONDITIONS WHICH IN FACT WOULD SERVE TO DO JUST THAT. THIS IS AN IMPORTANT REASON WHY THE U.S. VOTED AGAINST IT.

21. WE DO NOT BELIEVE, HOWEVER, THAT THIS RATHER EMOTIONAL VIEW OF PRIVATE FOREIGN INVESTMENT WILL PREVAIL IN EVERY GOVERNMENT DECISION ON INVESTMENT TAKEN IN DEVELOPING COUNTRIES. JUST AS INVESTORS CANNOT IGNORE THE PLANS AND POLICIES OF SOVEREIGN STATES, SO TOO IS IT HARD TO IMAGINE THAT STATES WILL SACRIFICE THEIR REAL ECONOMIC DEVELOPMENT INTERESTS IN THE NAME OF FASHIONABLE IDEOLOGY. FOR, IN THE FINAL ANALYSIS, JUST AS PRIVATE INVESTORS MUST FOLLOW THEIR OWN INTERESTS IN CHOOSING WHERE TO PLACE THEIR CAPITAL, SO TOO WILL STATES FOLLOW THEIRS IN DECIDING ON HOW BEST TO FURTHER THEIR PLANS OF ECONOMIC DEVELOPMENT. THE UNITED STATES CANNOT SUPPORT VOTES ON RESOLUTIONS WHICH

LEAD ONLY TO OBSTRUCTION, BUT WE SHALL CONSISTENTLY
FAVOR INTERNATIONAL EFFORTS IN SETTING GROUND RULES FOR
COLLABORATION TO ENSURE THAT THE INTERESTS OF BOTH
STATES AND INVESTORS ARE GENUINELY PROMOTED.

22. COMMENT: THIS DRAFT IS SUBJECT TO FINAL APPROVAL
BY AMBASSADOR RUSH.
RUSH

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Message Attributes

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Executive Order: N/A
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